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April 2, 1971

SHEET METAL WAGE SETTLEMENT, LONDON, ONT.

Prices and Incomes Commission

John H. Young
Chairman

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Introduction

The Prices and Incomes Commission has completed an examination of the factors leading to the settlement signed on March 16, 1971, by members of the London Sheet Metal Contractors Association and Local 473 of the Sheet Metal Workers' International Association. This action was taken by the Commission in response to wide-spread concern about the size and timing of the settlement and its implications for negotiations now in progress in the construction industry in Ontario and in other parts of Canada. The examination, which was welcomed by both of the parties involved in the settlement, received the full support of the Government of Ontario.

Over the last several months the Commission, in co-operation with provincial departments of labor, has been participating in joint discussions involving both contractors and unions on ways of bringing construction cost increases in Canada under control. Following a number of meetings with the Joint National Policy Committee representing the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry and the Canadian Plumbing and Mechanical Contractors Association, a statement entitled "Action to Restrain Rising Costs in the Construction Industry" was produced and approved by the Joint Committee. The measures outlined in this statement have since been discussed

with executives of Construction Associations and Building Trades Councils in Ontario, British Columbia, Alberta, Nova Scotia and New Brunswick, and with federal and provincial government representatives and have been generally well received. Many of these measures are, however, of a longer-term nature and cannot be expected to produce results quickly.

In the view of the Commission a determined effort to restrain cost increases in the construction industry is long overdue. This industry accounts for approximately 16 per cent of the Gross National Product in Canada, directly employs over 400,000 workers, and indirectly employs thousands more. Because of its size and influence on costs and prices in other industries, an early and substantial moderation of cost increases in this industry is essential for the achievement of reasonable price stability in the economy as a whole.

The settlement reached by the sheet metal workers and contractors in London involved one of the first of some 200 major agreements in the construction industry that will be renegotiated in Ontario this year. The settlement provides an increase in total compensation of nearly 40 per cent over a two-year period. If other construction settlements in Ontario follow the same pattern, there is no doubt that the effect will be a further substantial escalation of costs affecting many industries.

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Groups Interviewed

In the course of conducting the examination, the Commission held meetings with the following:

1. The Executive and the Business Agent of Local 473 of the Sheet Metal Workers' International Association.
2. The London Sheet Metal Contractors Association.
3. The London and District Building Trades Council.
4. The Executive of the London and District Construction Association.

The Settlement

The present three-year agreement between sheet metal contractors and the union in the London area expires on April 30, 1971. The compensation package provided by this agreement totals \$6.13 per hour. This includes \$5.40 per hour for wages, eight per cent or 43 cents per hour for vacation pay, and 30 cents for welfare, pension and health plans for each hour worked.

The new contract which is to become effective on May 1, 1971, provides \$5.80 per hour wages as of that date, 46 cents per hour vacation pay and 50 cents per hour for welfare, pension and health plans, for a total of \$6.76. Six months later, the hourly wage is to increase to \$6.40 which automatically increases vacation pay to 51 cents per hour. Total compensation at that time, Nov. 1, 1971, will

amount to $7.41 per hour. On May 1, 1972, the hourly wage rate is to become $7.40 per hour, and vacation pay is to increase to nine per cent or 67 cents per hour. The rate of compensation from May 1, 1972, to the end of the contract on April 30, 1973, will be $8.57 per hour.

The total increase in the hourly rate of compensation over the life of the contract will be $2.44 or 39.8 per cent which is an annual compound rate of change of 18.2 per cent. The contract also provides increases in travel expenses and board allowances.

The Position of the Union

Following notification to bargain early in January, 1971, Local 473 held several union meetings at which a set of demands was gradually worked out. The union Negotiating Committee had its first meeting with the contractors on Feb. 11, 1971, for the purpose of discussing over-all contract proposals excluding money items.

On Feb. 25, 1971, the contractors over-all proposals, which did not include money items, were in turn discussed. As it evolved, the discussion covered money items. The union put forward its demands in this regard and, before the meeting ended, a tentative understanding was reached. On March 3, 1971, a Memorandum of Agreement was signed between the two parties, including agreement on money items.

The union representatives expressed surprise at the speed with which the contractors had been willing to reach an agreement which, as far as the total wage increase is concerned, was close to the union's original demand. The union's expectation was that two or three further meetings might have been required for meaningful bargaining to take place on wage rates.

In establishing their original demand for an increase on May 1, 1971, of $1.25 and another $1.00 on May 1, 1972, the union had examined the rates paid to sheet metal workers in selected cities, particularly in the south-western area of the province.

Current and future hourly wage rates paid to sheet metal workers in various Ontario centres are set out below:

SHEET METAL HOURLY WAGE RATES FOR SELECTED AREAS

	Rates March, 1971[1)]	New or Existing Agreements[2)] May 1, 1971	Nov. 1, 1971	May 1, 1972
London	$5.40	$5.80	$6.40	$7.40
Sarnia	6.34	6.81	-	7.30
Windsor	6.15	-	-	-
St. Catharines	5.55	-	-	-
Kitchener	5.55	-	-	-
Hamilton	6.50	-	-	-
Toronto	5.98	-	-	-
Ottawa	5.40	-	-	-
Sudbury	6.05	-	-	-
Sault Ste. Marie	5.07	-	-	-
Thunder Bay	5.55	-	-	-

1) Data taken from Schedule of Hourly Wage Rates, Holiday Pay Assessments and Standard Work Weeks in the Building Trades in Canadian Centres, July 1, 1970, Canadian Construction Association.

2) Data taken from Collective Agreements.

The original union demands included a number of other items. Among these were an increase from eight per cent to 10 per cent in vacation pay as of May 1, 1971; height pay amounting to 50 cents per hour; and a parking allowance for workers when on centre town projects. The last two items were deleted during the negotiations and, as noted earlier, vacation pay was increased to nine per cent as of May 1, 1972.

The union knew that bids were due shortly on sizable work contracts and that the sheet metal contractors would want to reach a settlement as early as feasible to be in a position to work out firmly-based estimates of labor costs, as part of their total bids.

Another factor which was said by the union to have played a part in speeding up the conclusion of the settlement was a rumored rejection by sheet metal workers in another centre in the province of a proposed three-year agreement providing for three consecutive annual increases of $1.00 each.

In view of what the union regarded as unsatisfactory past experience in co-ordinating wage bargaining with the unions that are members of the London and District Building Trades Council, the Sheet Metal Union stated it preferred to carry on negotiations directly. The local union views its function essentially as attempting to obtain the best possible contract terms for its members.

The union also pointed to the jointly-supported apprenticeship program for sheet metal workers in the

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London area. This had contributed, it stated, to a high-quality performance by tradesmen and to increased productivity.

The London and District Building Trades Council, in a later discussion, supported the need for more advance planning by clients, a more even flow of construction activity and joint action by governments, clients, contractors and unions as positive steps to restraining increasing costs in the industry.

The Position of the Contractors

The current year is expected by the sheet metal contractors to be a busy one in the London area, following two years of slackness and a prolonged strike in 1968. More specifically, bids were due in mid-March on a $1 million sheet metal contract in London. Other important sheet metal bids were due in March and April.

Most of the companies are relatively small, doing business of less than $1 million annually. They have, moreover, rather limited financial reserves. They voluntarily submitted to the Commission audited financial statements covering several years, and it is clear from these that the firms were not in a good position to contemplate a lengthy work stoppage in 1971.

The contractors were aware that the supply of sheet metal tradesmen in London would likely be inadequate by early

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summer, necessitating recruiting in other regions which, in some cases, have higher wage scales.

Rumors persisted that construction unions in Ontario were making very high wage demands and the sheet metal contractors believed that a high settlement was inevitable, particularly since London wage rates in the construction trades were known to be lower than in some other major centres in the southwestern area of the province.

The contractors thought they had succeeded in obtaining adjustments in the union demands which were significant from a timing point of view. They agreed the skills of sheet metal tradesmen have improved in recent years, but there was no indication that a settlement of this size could be offset by productivity improvements.

In the face of this economic situation, it is apparent why the sheet metal firms were not inclined to postpone a decision to settle, even though they had participated in joint discussions with contractors in other sectors of the construction industry in London.

The action of the sheet metal contractors in breaking ranks in late February with other groups of construction contractors in London was sharply criticized by the executive of the London and District Construction Association. In defence of their position, the sheet metal

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contractors referred to a united bargaining front attempted in 1965 in London by the construction industry. This failed when one segment of the general contractors settled independently.

Another attempt was made in 1968, during which the London Sheet Metal Contractors Association took the lead and was struck. The members held out for nine weeks while contractors in other sectors of the industry continued to work in London, and while sheet metal firms in Toronto and other centres hired their sheet metal tradesmen. Having suffered on that occasion, the sheet metal contractors were determined not to be caught out again.

It should be added that in 1968 a disturbing element was the existence of an agreement made between contractors and a union in another sector of the industry in London. This agreement provided for additional increases to match those obtained by the sheet metal workers, should higher rates be obtained as a result of the strike.

General Comments

Early in 1971, the Ontario Federation of Construction Associations, in co-operation with the Provincial Building and Construction Trades Council, took an initiative toward province-wide bargaining. Representatives of both the London

sheet metal contractors group and of Local 473 took part in discussions concerning this initiative. Unfortunately plans had not advanced far enough by early February to provide any assurance that bargaining on a province-wide basis in the sheet metal industry would in fact occur early in 1971.

Should bargaining on this broader basis become a reality during the life of the London sheet metal agreement, it is provided that this local agreement will become null and void.

Province-wide bargaining on a trade basis will, it is expected, help to remove whip-sawing tactics and hence must be recognized as a useful initial step in bringing about more orderly bargaining practices.

The construction industry faces from time to time periods of strong demand pressure. These provide an opportunity for -- and are offered as a justification for -- sharp increases in wage rates and profit margins. When demand pressures on the industry slacken, the industry is saddled with these high labor costs in attempting to attract more business, to the detriment of construction employment and the solvency of construction firms. In this sense the attempt to take maximum advantage of short-term or local upsurges in demand is an understandable but self-defeating strategy for both sides of the industry itself.

Findings and Conclusions

This examination of the factors leading to the settlement between the London Sheet Metal Contractors Association and Local 473 of the Sheet Metal Workers' International Association reveals little evidence that consideration of the broader public interest played any part in their collective bargaining.

Both parties were clearly aware that the settlement reached was likely to have direct consequences for other settlements in the construction industry in the London area and throughout the province this spring. They recognized that in all probability these cost increases would be passed on to the industry's customers, but they did not express any great concern about the implications of higher construction costs for prices and employment generally.

It is clear that if settlements of this magnitude were to occur in other bargaining situations in Ontario over the coming weeks, they would lead inevitably to still higher costs in the industry and might spill over to other industries and other sections of the country. A further round of substantial cost increases originating in high construction wage settlements will have to be paid for by the rest of the community, either in the form of higher prices or in the form of reduced activity and employment in industries unable to pass

these higher costs along to their customers.

Employer associations and unions in various sectors of the construction industry in Ontario have been endeavoring, as indicated above, to develop a more rational bargaining system. Time, however, is running out. The present deficiencies in the system are threatening to inflict further serious damage on the economy as a whole at a time when unemployment is already high and when a renewed worsening of inflation would greatly complicate efforts to expand job opportunities.

In the Commission's view there are only two alternatives if this threat is to be averted. The construction associations and unions must take immediate and decisive action to bring increases in incomes in the industry more in line with what the economy can support. Failing such action, governments will have to find a prompt and effective way of intervening to ensure that the public interest is protected.

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